Fischer I, LLC

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2013 and 2012

Fischer I, LLC

Index

	Page
Independent Auditor's Report	3
Financial Statements	
Balance Sheets	5
Statements of Operations	7
Statements of Members' Equity (Deficit)	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Schedules of Certain Revenue and Expenses	19
Depreciation Expenses and Accumulated Depreciation by Class of Rental Property	20
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	21

Independent Auditor's Report

To the Members
Fischer I, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Fischer I, LLC, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fischer I, LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of Fischer I, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fischer I, LLC's internal control over financial reporting and compliance.

CohnReznick LLP

Charlotte, North Carolina
March 25, 2014

Fischer I, LLC

Balance Sheets
December 31, 2013 and 2012

Assets

	2013	2012
Current assets		
Cash	$ 80,987	$ 63,733
Tenant accounts receivable	7,823	3,458
Accounts receivable - other	-	8,606
Prepaid expenses	2,832	2,273
Total current assets	91,642	78,070
Restricted deposits and funded reserves		
Tenant security deposits	3,280	1,500
Replacement reserve	46,421	46,236
Total restricted deposits and funded reserves	49,701	47,736
Rental property		
Building and improvements	3,654,063	3,654,063
Land improvements	261,845	261,845
Furniture and equipment	66,625	66,625
	3,982,533	3,982,533
Accumulated depreciation	(925,942)	(818,517)
Total rental property	3,056,591	3,164,016
Other assets		
Tax credit monitoring fees	991	1,124
Other assets	50	50
Total other assets	1,041	1,174
Total assets	$ 3,198,975	$ 3,290,996

Fischer I, LLC

Balance Sheets
December 31, 2013 and 2012

Liabilities and Members' Equity (Deficit)

	2013	2012
Current liabilities		
Accounts payable	$ 7,505	$ 7,389
Accrued expenses	128,747	78,431
Asset management fee payable	16,563	14,063
Developer fees payable	231,036	231,036
Due to related parties	678,409	687,322
Total current liabilities	1,062,260	1,018,241
Deposits and prepaid liability		
Tenant security deposits	3,280	4,800
Total deposits and prepaid liability	3,280	4,800
Long-term liabilities		
Notes and accrued interest payable - related party	2,481,563	2,380,683
Total long-term liabilities	2,481,563	2,380,683
Commitments	-	-
Members' equity (deficit)	(348,128)	(112,728)
Total liabilities and members' equity (deficit)	$ 3,198,975	$ 3,290,996

See Notes to Financial Statements.

Fischer I, LLC

Statements of Operations
Years Ended December 31, 2013 and 2012

	2013	2012
Revenue		
Rental income	$ 194,890	$ 192,857
Vacancies and concessions	(46,728)	(39,964)
Other operating income	6,893	8,121
Total revenue	155,055	161,014
Operating expenses		
Salaries and employee benefits	54,639	48,131
Repairs and maintenance	34,872	25,280
Utilities	37,782	33,355
Property management fee	8,400	8,400
Property insurance	33,431	27,305
Miscellaneous operating expenses	10,578	15,972
Total operating expenses	179,702	158,443
Net operating income (loss)	(24,647)	2,571
Other income (expense)		
Interest income	185	185
Annual fee to the limited partner	(2,500)	(2,500)
Interest expense - related party notes payable	(100,880)	(96,358)
Depreciation	(107,425)	(109,587)
Amortization	(133)	(133)
Total other income (expense)	(210,753)	(208,393)
Net loss	$ (235,400)	$ (205,822)

See Notes to Financial Statements.

Fischer I, LLC

Statements of Members' Equity (Deficit)
Years Ended December 31, 2013 and 2012

	Managing Member	Investor Member	Total Members' Equity (Deficit)
Balance, January 1, 2012	$ (23)	$ 93,117	$ 93,094
Net loss	(21)	(205,801)	(205,822)
Balance, December 31, 2012	(44)	(112,684)	(112,728)
Net loss	(24)	(235,376)	(235,400)
Balance, December 31, 2013	$ (68)	$ (348,060)	$ (348,128)
Members' percentage of losses	0.01%	99.99%	100.00%

See Notes to Financial Statements.

Fischer I, LLC

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net loss	$ (235,400)	$ (205,822)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	107,425	109,587
Amortization	133	133
Changes in:		
Tenant accounts receivable	(4,365)	(1,543)
Accounts receivable - other	8,606	(8,014)
Prepaid expenses	(559)	637
Accounts payable	116	2,329
Accrued expenses	50,316	37,950
Tenant security deposits	(3,300)	2,600
Accrued interest, notes payable to HANO	100,880	96,358
Asset management fee payable	2,500	2,500
Net cash provided by operating activities	26,352	36,715
Cash flows from investing activities		
Change in reserve for replacements	(185)	(184)
Net cash used in investing activities	(185)	(184)
Cash flows from financing activities		
Advances to affiliate	(8,913)	-
Net cash (used in) provided by financing activities	(8,913)	-
Net increase in cash	17,254	36,531
Cash, beginning	63,733	27,202
Cash, end	$ 80,987	$ 63,733
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1	$ -

See Notes to Financial Statements.

Fischer I, LLC

Notes to Financial Statements
December 31, 2013 and 2012

Note 1 - Organization and nature of operations

Fischer I, LLC (the Company), a Louisiana limited liability company, was formed in March 2004 to construct, develop and operate a 20-unit apartment project, known as Fischer I Apartments (the Project) in New Orleans, Louisiana. The Project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code (Section 42).

The managing member is Lune d'Or Enterprises, LLC (the Managing Member). The limited members (the Limited Members) are MMA Special Limited Partner, Inc. (the Special Member) and MMA Fischer I, LLC (the Investor Member).

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Operating Agreement, dated January 1, 2005 (the Operating Agreement). Profits and losses from operations and low-income housing tax credits in any one year are allocated 99.99 percent to the Investor Member and 0.01 percent to the Managing Member.

Each building of the Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Project to occupant eligibility and unit gross rent, among other requirements. The total low-income housing credits generated from the State of Louisiana was $2,551,600 and is available for use by the members pro rata over a ten-year period. Each building of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The Compliance period ends December 2021.

The Company will operate until December 31, 2102 or until its earlier dissolution or termination.

Fischer I, LLC is a component unit of the Housing Authority of New Orleans (HANO) under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASBs No. 14 and No. 34*. Fischer I, LLC is presented as a discretely presented component unit of HANO as there is a financial benefit/burden relationship with HANO.

Note 2 - Summary of significant accounting policies

Tenant receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America (GAAP) require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Deferred fees and amortization
Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period. Accumulated amortization at December 31, 2013 and 2012 was $1,009 and $876, respectively.

Estimated amortization expense for each of the five following years through December 31, 2018 and thereafter is as follows:

2014	$	133
2015		133
2016		133
2017		133
2018		133
Thereafter		326
Total	$	991

Rental property
Rental property is recorded at cost. Depreciation of rental property is computed primarily using the following methods and estimated useful lives:

	Method	Estimated useful lives
Building and improvements	Straight - line	40 years
Land improvements	Declining - balance	20 years
Furniture and equipment	Declining - balance	10 years

Impairment of long-lived assets
The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2013 and 2012.

Rental income
Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the property are operating leases.

Advertising costs
The Company's policy is to expense advertising costs when incurred.

Income taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

Economic concentrations

The Company operates one property located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Note 3 - Restricted cash

Replacement reserve

Pursuant to the Operating Agreement, the Managing Member shall establish a reserve account for capital replacements, funded by monthly deposits of $417, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2013 and 2012, the replacement reserve balance was $46,421 and $46,236, respectively.

ACC subsidy reserve

Pursuant to the Operating Agreement, the Company shall establish a reserve account equal to $33,627 as set forth in the Regulatory and Operating Agreement between the Company and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member. As of December 31, 2013 and 2012, no amounts have been funded.

Operating reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an operating reserve in a separate reserve account to fund operating expenses, to the extent required, subject to any requisite approvals and to the consent of the Investor Member. As of December 31, 2013 and 2012, no amounts have been funded.

Note 4 - Operating deficit guaranty

Pursuant to the Operating Agreement, the Managing Member has guaranteed to fund, without limitation, all operating deficits, as defined. Amounts so furnished to fund operating expenses incurred prior to the Development Obligation Date shall be deemed Special Capital Contributions and amounts furnished on or after the Development Obligation Date shall constitute Operating Expense Loans, as defined. Any such Operating Expense Loans shall not bear interest and are repayable only as provided for in the Operating Agreement. As of December 31, 2013 and 2012, there were no guaranty amounts due or payable.

Note 5 - Contract subsidy

Twelve units within the Project are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2013 and 2012, the Company earned operating fund assistance in the amount of $75,441 and $67,159, respectively. This amount is included in rental income in the statements of operations.

Note 6 - Related party transactions

Operating subsidy from HANO

During 2013 and 2012, the Company received rent assistance subsidy from HANO in the amount of $43,943 and $58,885, respectively.

Asset Management Fee

Pursuant to the Operating Agreement, an annual cumulative asset management fee in the amount of $2,500 per annum to the limited partner is incurred. To the extent that it is not paid in full in any fiscal year, it shall accrue and be payable in the future. During 2013 and 2012, fees of $2,500 and $2,500, respectively, were charged to operations. As of December 31, 2013 and 2012, $16,563 and $14,063, respectively, remains payable.

Developer Agreement

The Company entered into a development agreement with Crescent Affordable Housing Corporation (CAHC), an affiliate of the Managing Member. The agreement provides for a development fee and overhead in the amount of $279,026 for services in connection with the development of the Project and supervision of the construction. Payments of the development fee are to be made from designated proceeds or from development advances, as defined in the Operating Agreement and the Development Services Agreement, respectively. As of December 31, 2013 and 2012, $231,036 remains outstanding for both years.

Operating expenses

The Company owes CAHC for property insurance and other operating expenses paid by CAHC on behalf of the Company. As of December 31, 2013 and 2012, the balance owed to CAHC was $100,734 and $60,674, respectively, and is included in accrued expenses in the accompanying balance sheets.

Due to affiliates consists of the following at December 31, 2013 and 2012:

	2013	2012
Due to Related Parties		
The Company owed amounts to Fisher III, LLC, a related party of the Managing Member, for costs related to the construction of the Project. The costs were paid by Fischer III, LLC on behalf of the Company during the development phase of the Project. Related party payables bear no interest, are collateralized by the Project, and are payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Project.	$ 579,711	$ 579,711
As of December 31, 2013 and 2012, the Company owed HANO for advances related to miscellaneous costs associated with the construction of the Project. Related party payables bear no interest, are collateralized by the Project, and are payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Project.	98,698	107,611
Total due to related parties	$ 678,409	$ 687,322

Note 7 - Related party loans and notes payable

Notes payable to related parties consists of the following:

	2013	2012
Capital Funds Note		
During 2005, the Company entered into a Capital Funds Note with HANO to provide financing for the development of the Project. During 2007, there was an addition to the balance of this loan when HANO reimbursed JPMorgan Chase Bank for an outstanding construction loan, on behalf of the Company. The loan bears interest at the long term applicable federal rate, which was 4.68% at the time the loan was funded, and is collateralized by the Project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. As of December 31, 2013 and 2012, the balances of the HANO Capital Funds Note are included in notes and accrued interest payable - related party in the accompanying balance sheets. Interest incurred during the years ending December 31, 2013 and 2012 was $87,358 and $83,453, respectively.	$ 1,424,059	$ 1,424,059
Accrued interest payable	529,929	442,570
Program Income Note		
On January 20, 2005, the Company entered into a Program Income Construction Mortgage Note with HANO in the amount of $196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Projects and bears interest annually at the long term applicable federal rate, which was 4.76% at the time the loan was funded. The loan is collateralized by the Project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the years ending December 31, 2013 and 2012 was $13,521 and $12,907, respectively.	196,300	196,300
Accrued interest payable	101,275	87,754

	2013	2012
Supplemental Loan		
On November 1, 2006, the Company entered into a Supplemental Loan with HANO in the amount of $130,000. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.	130,000	130,000
Affordable Housing Program Loan		
On November 16, 2005, the Company entered into an Affordable Housing Program Loan with HANO in the amount of $100,000 to assist the Company in financing the Project. The loan bears no interest, and is collateralized by the Project. The loan matures fifteen years from completion of the Project, which occurred on May 27, 2006. The Affordable Housing Program Loan is payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project.	100,000	100,000
	$ 2,481,563	$ 2,380,683

Note 8 - Members' capital

Capital contributions totaling $2,079,000, including a downward adjuster of $45, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2013 and 2012, the Investor Member has funded $1,326,683. The above contributions are subject to adjustment as defined in the Operating Agreement. The Managing Member is required to made contributions of $100 and the Special Member is required to make contributions of $10.

Note 9 - Management Agreement

Beginning in March 2011, the Company entered into an agreement with Guste RMC, LLC, in connection with the management of the rental operations of the Project. The property management fee is calculated in the amount of $35 per occupied unit per month. Total management fees incurred under this agreement during 2013 and 2012 was $8,400 and $8,400, respectively.

Note 10 - Ground lease

The Company entered into a Ground Lease Regulatory Agreement (the Ground Lease) with HANO. The Company is bound by the responsibilities and obligations of the Ground Lease. Under the Ground Lease, annual rent of $10 is due and payable for each lease year in advance on the first day of each lease year. The lease term ends at the latest to occur of (1) the expiration of the minimum period during which the Public Housing Units are required by law to be operated as public housing, (2) 40 years from the date the Project becomes available for occupancy, and (3) 89 years. The lease also has provisions extending the ground lease, but in no event will the lease extend beyond 95 years.

Note 11 - Concentration of credit risk

The Company maintains its cash balances in several accounts in one bank. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2013.

Note 12 - Commitments and contingencies

The Project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

Note 13 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of Fischer I, LLC through March 25, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Fischer I, LLC

Schedules of Certain Revenue and Expenses
Years Ended December 31, 2013 and 2012

	2013	2012
Rental income		
Rent revenue - gross potential	$ 194,890	$ 192,857
Total rental income	$ 194,890	$ 192,857
Vacancies and concessions		
Apartments vacancies	$ 46,728	$ 39,964
Total vacancies and concessions	$ 46,728	$ 39,964
Other operating income		
Tenant charges	$ 900	$ 300
Miscellaneous other income	5,993	7,821
Total other operating income	$ 6,893	$ 8,121
Salaries and employee benefits		
Salaries - administrative	$ 35,860	$ 33,759
Salaries - maintenance	14,382	10,520
Payroll taxes	4,397	3,852
Total salaries and employee benefits	$ 54,639	$ 48,131
Repairs and maintenance		
Supplies	$ 1,069	$ 448
Repairs and maintenance - contracts	24,291	20,563
Miscellaneous maintenance expenses	9,512	4,269
Total repairs and maintenance	$ 34,872	$ 25,280
Utilities		
Electricity	$ 4,655	$ 2,351
Water	22,087	19,964
Trash removal	11,040	11,040
Total utilities	$ 37,782	$ 33,355
Miscellaneous operating expenses		
Miscellaneous administrative	$ 2,866	$ 1,415
Advertising and newspaper	939	-
Legal	-	2,972
Audit	-	5,835
Accounting	6,773	5,750
Total miscellaneous operating expenses	$ 10,578	$ 15,972

Fischer I, LLC

Depreciation Expenses and Accumulated Depreciation by Class of Rental Property Years Ended December 31, 2013 and 2012

	Accumulated Depreciation January 1, 2012	Depreciation Expense	Accumulated Depreciation December 31, 2012	Depreciation Expense	Accumulated Depreciation December 31, 2013
Building and improvements	$ 545,937	$ 91,352	$ 637,289	$ 91,353	$ 728,642
Land improvements	113,242	14,860	128,102	13,373	141,475
Furniture and equipment	49,751	3,375	53,126	2,699	55,825
	$ 708,930	$ 109,587	$ 818,517	$ 107,425	$ 925,942

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Members
Fischer I, LLC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fischer I, LLC, which comprise the balance sheet as of December 31, 2013, and the related statements operations, members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fischer I, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fischer I, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Fischer I, LLC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Fischer I, LLC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fischer I, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fischer I, LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fischer I, LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Charlotte, North Carolina
March 25, 2014